

*The key to productivity is the innovation
and creativity of people.*



Polysar Limited

.....
201 Front Street North
Sarnia, Ontario, Canada
N7T 7V1

Polysar Limited is a Canadian international company. With corporate headquarters in Sarnia, Canada, the Polysar Group has plants and offices in 14 countries. Its major production facilities are in Canada, the United States, Belgium, France, the Netherlands and Germany. Employing some 6,500 people, the Polysar Group sells its products in virtually every country of the world.

Polysar is the world's largest producer of synthetic rubber and foam latex as well as being an important supplier of carboxylated latex. Polysar produces sty-

rene monomer in Canada and is a supplier of polystyrene resin in Canada and the United States. The Company has a leading position in formed plastic products in Western Europe and is a growing supplier of rubber custom compounding services in the United States.

All the Company's outstanding common shares are held by Canada Development Corporation. The Company's preferred shares are widely held by the Canadian public.

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Polysar Limitée
Secrétariat
201 Front Street North
Sarnia (Ontario)
Canada N7T 7V1

Financial Highlights

Polysar Limited

Year ended December 31, 1982

Sales unchanged at \$1.3 billion

*Earnings fell from a profit of \$22 million
to a loss of \$31 million*

*Cash requirements of \$256 million (including
\$229 million for net capital expenditure) financed*

- *44% from internal sources*
- *19% from common equity*
- *37% from borrowings*

*Capital employed increased \$130 million
to \$1.1 billion*

Operations (\$ millions)	1982	1981
Sales and other income	1,328.7	1,347.4
Net (loss) income	(30.5)	22.0
Funds from operations	1.7	69.2
Per Common Share (\$)		
Net (loss) income	(1.45)	.74
Dividends	.26	.27
Financial Position (\$ millions)		
Working capital	190.3	232.4
Long-term debt	579.4	427.0
Minority interest	85.4	85.4
Shareholders' equity	392.3	391.3
Total assets	1,438.3	1,402.5

In 1982, Polysar sustained the worst financial results in its history. It provides little satisfaction that throughout the world a large part of the petrochemical industry had moved into similar financially-stretched conditions. Polysar is a member of a well-established but cyclical industry that is struggling through a period of high uncertainty and rapid change. In 1979 and 1980, Polysar and industry earnings reached record peaks, even after taking inflation into account. One year later we found ourselves in a valley.

The recession in our principal markets throughout 1981 and 1982 severely affected all our businesses. While we generally maintained our share of the synthetic rubber and latex markets, volumes were lower than in 1981. In our Canadian operations in particular, where we employ our largest number of people and the greatest concentration of our capital investment, earnings were down dramatically. Our styrenics businesses were once again not profitable. Inflation, high interest rates and higher raw material prices greatly increased our operating costs at a time when product prices were being forced down by market pressures. In most cases our customers were affected by the same difficult business environment and it was impossible to recover our costs.

Market Share

In spite of the recession, 1982 was not without notable accomplishments, some of which are documented within this report. We maintained leadership positions in our chosen segments of the synthetic rubber industry and gained a significant market position with the tire industry in Japan and Southeast Asia. Our latex business in North America was strengthened considerably and we made worthwhile progress in our European latex business. We continued to progress along our strategic path away from undifferentiated commodity products toward specialty and high technology products which offer greater profit opportunities and are more resistant to economic fluctuations. The benefits of our recent acquisitions be-

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came evident in new products and access to markets new to Polysar. Throughout the year steady improvements were made in controlling those costs within our influence and in improving efficiencies so that breakeven points in many of our plants were brought down to levels we would not have thought practicable a few years ago.

Feedstock Pricing

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Our earnings problems in North America have been greatly exacerbated by the increased cost of feedstocks to the Petrosar operations at a time when product prices from the hydrocarbon crackers on the United States Gulf Coast have fallen substantially. While reduced demand for energy and hydrocarbon derived products was exerting downward pressure on prices throughout the world, Canadian government policies have been causing an opposite trend in this country. There has been a steady increase in prices of both gas and oil-based feedstocks which gradually reduced the competitive advantage of the Canadian petrochemical industry and, over the last year, has placed it at a severe disadvantage against its principal competitors on the Gulf Coast. If the petrochemical industry in Eastern and Western Canada is to prosper, a policy is required which will ensure that feedstocks are priced at least competitively with those on the Gulf Coast.

Canada is unique among the developed countries of the world in that its total supply of hydrocarbons is in balance with domestic demand. The opportunity is there to utilize these hydrocarbons as building blocks to establish a strong petrochemical industry which can make a major contribution to achieving Canada's industrial and social goals.

We at Polysar have shown that in a supportive environment Canadians can successfully establish a major international chemical operation capable of meeting the challenges of world-scale competition. We seek a government policy that recognizes the true capability of this high potential, high technology industry to stimulate the education and training of young Canadians and provide rewarding employment for thousands of people. We ask for a policy which recognizes the importance and value of serving many of our markets from a Canadian base. We, in return, will contribute in a significant way to the Canadian vision of positioning Canada on the world stage as an industrial nation.

Program for 1983

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Although we are prepared for and fully expect future shocks, we are looking ahead on the basis that the global economy is bottoming out in the present economic cycle. For 1983, we anticipate significant

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financial improvement which should move us in the direction of achieving a fully satisfactory performance level by 1985. This expectation is based on the assumption that the economies of the industrial world will move forward at a modest but steady rate, that our principal markets, particularly those related to the housing and automotive industries, will show renewed strength, and that Canadian government policy on pricing and taxation of hydrocarbon feedstocks will appropriately reflect the realities of the market. Major progress has already been made on those factors within our control in the operating cost profile and these will continue to receive our full commitment and energy in the coming year.

Our first objective in 1983 is the restoration of profitability and the strengthening of our financial condition. We believe it only prudent not to rely solely upon favourable developments in the external environment, although these are critical to our success. Through careful management we will continue to make progress on all of those changes by which we ourselves are able to improve our performance. The actions taken in the past year to achieve major gains in productivity in all facets of our operations will be reinforced. Capital spending again will be constrained and a tight control will be kept on working capital. We intend to manage the workforce level to ensure that we do not become excessively manpower intensive in future.

People + Innovation = Productivity
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I believe the restructuring now taking place in our industry will offer significant opportunities and we will be ready to take advantage of these. We will continue to strive for leadership in our chosen areas, revitalize and improve our existing products through research and development, actively search for new markets, and establish an even stronger reputation for quality and service. Our butyl plant expansion in Sarnia which comes on stream towards the end of the year will provide a welcome challenge and contribution to our rubber business. The drive to reduce waste and to lower costs in our operations will continue.

An environment that encourages innovation at all levels and rewards entrepreneurial accomplishments is essential for a dynamic organization. We will continue in our efforts to achieve a climate which focuses on excellence in performance and a shared commitment to our long-term goals. I believe that the key to success and profitability lies as much in unlocking human potential as it does in developing

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a favourable market and raw material position. Our people have continually shown courage, dedication and initiative in the face of challenge, and we will rely on these qualities as we move confidently forward in the uncertain years ahead.

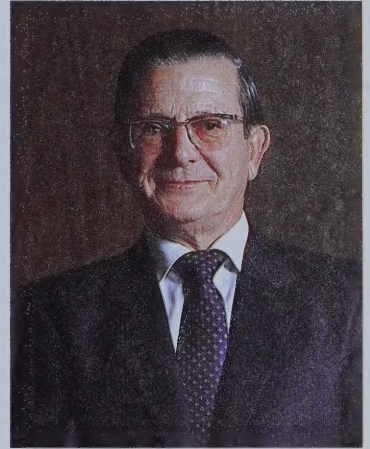
Ian C. Rush

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The retirement of Ian C. Rush on March 1, 1983, brought to an end a distinguished career of 40 years. Ian was part of Polysar from the beginning of the organization. He joined the company as a chemical engineer in 1943 while the original plant at Sarnia was still under construction.

In the early 1960s, he was responsible for developing strategic initiatives which became the foundation for Polysar's highly successful European operations. Ian became Polysar's President in 1971 and Chief Executive Officer the following year. For the next decade, he steered the company through a period of impressive growth and development. In 1981 he became Chairman and Chief Executive Officer. He provided leadership in the creation of Petrosar, Canada's only world-scale integrated chemical refinery, from its conception in the early 1970s until his retirement this year as its Board Chairman.

It was Ian Rush who provided leadership in thought, action and by example in the development of the principles that form the basis of Polysar's Corporate Philosophy. On behalf of his colleagues and the Board of Directors of Polysar, of which Ian remains a member, I would like to offer him our best wishes and our gratitude for his efforts.



I.C. Rush

R.S. Dudley

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R.S. Dudley
President and Chief Executive Officer
Sarnia, Canada
March, 1983



R.S. Dudley

Corporate

- Canada Development Corporation, owner of 100 per cent of Polysar's common shares, increased its investment in Polysar by subscribing to an additional \$50 million of common equity.
- The Company successfully refinanced its Series A First Preferred Shares with more than 88 per cent of the holders accepting the terms of the new shares.
- Despite the worst earnings performance in Polysar's history, internal cash generation financed 44 per cent of total cash requirements.
- Capital spending was constrained. Working capital was tightly controlled. Inventories were reduced sharply through temporary plant shutdowns and production slowdowns.
- A manpower complement freeze was imposed. Salaries of a substantial number of employees were frozen. The workforce was reduced through attrition, early retirement incentives and job redundancies.
- Research and development expenditures increased by 20 per cent to more than \$27 million as part of the Company's continuing commitment to technology as one of the bases for future growth.
- The first phase of a Company-wide communications climate survey was completed. The resulting actions added considerable momentum to Company efforts to improve internal communications and performance recognition.
- Task forces were established in Sarnia and Fribourg to focus attention on the career development of female employees of Polysar. A series of well-attended meetings has been held and programs initiated to ensure equal opportunity for women throughout Polysar.
- New agreements among the Petrosar shareholders and with Petrosar were finalized after many months of negotiations. Unexpected investment requirements as well as lower earnings by Petrosar adversely affected Polysar's results.
- Humex, the Company's joint venture in Mexico, reported sales, production volumes and earnings well in excess of 1981, but substantial devaluation of the peso meant that Polysar's equity share of Humex's earnings was down some 10 per cent when translated into Canadian dollars.

Rubber

- With the effect of added operations, rubber sales volumes were higher than in 1981, but were substantially below expectations.
- The integration of the ethylene-propylene rubber (EPR) and polybutadiene rubber plant in Orange, Texas acquired at the close of 1981 was completed. Entry into the EPR marketplace is an important part of Polysar's strategic plan to establish positions in non-commodity elastomers with good growth potential and broad market applications.
- Polysar acquired the Colombian Chemical Company's butyl rubber business technology and goodwill. The move will strengthen the Company's global marketing position, increase the use of its Sarnia and Antwerp plants and add to its pool of technology.
- At Sarnia operations, overtime was reduced to 3 per cent from 10 per cent in 1981 and 17 per cent in 1980. Maintenance costs were reduced and there was a reduction of 188 salary and wage personnel. Despite job security concerns resulting from the 1982 environment and management actions, the Quality of Work Life Program at the site experienced a real and ordered expansion. The Innovation Program exceeded all expectations with some 20 teams being formed to generate exciting activities in technical, secretarial, risk control and maintenance areas. These activities will produce major benefits in the future.
- A rubber technical centre was established in Stow, Ohio to provide technical service to customers of Polysar's EPR and polybutadiene products. It will also assist in product and process development work at the newly acquired plant in Orange, Texas. Other technical centres are located in Sarnia and Antwerp.
- European operations successfully completed efforts to reduce operating costs in all manufacturing operations and improve raw material efficiencies. The process of rationalizing management functions and administrative offices is currently underway. The management of Polysar's activities in Europe, Africa and Australasia will be moved from Brussels and integrated into Polysar International S.A. at Fribourg, Switzerland.
- At Antwerp, significant reductions in costs were achieved. Substantial progress was made in quality improvement activities and in improving plant productivity and efficiency. The plant achieved its best safety record in more than 10 years. The innovation initiative also advanced with the improved plant performance being, to a large extent, the product of innovative ideas that were developed and implemented in 1982.
- Global sales of bromobutyl rubber continued to grow. Polysar's leadership in this field was enhanced with the introduction of an easier processing grade which is rapidly gaining market acceptance in tire and pharmaceutical applications.
- Market approval of Polysar chlorobutyl products progressed satisfactorily, with substantial increases in sales despite depressed market conditions. Chlorobutyl was commercially produced at Antwerp for the first time and gained market acceptance in Europe.
- The Polysar nitrile rubber line was expanded by the 1981 acquisition in Arnhem, The Netherlands. As a result of emphasis on selected technical applications and high quality standards, Polysar's share of the nitrile rubber market in Europe and North America continued to increase. Ultra low temperature performance specialty nitriles experienced rapid sales growth in Canada, the U.S. and Japan.
- Sales of polybutadiene rubber for plastics modification were maintained at 1981 levels despite the recessionary markets. Polysar has more than 25 per cent of the North American polybutadiene capacity. In 1982 the Company supplied more than 50 per cent of the polybutadiene used by the retread market in the U.S.A.
- Reflecting increased emphasis on research and development, 1982 showed a substantial increase in the rate of generation of rubber-related patent applications.

Latex

- During 1982, markets for latex products declined by more than 25 per cent in both North America and Europe. However, sales volumes held at 1981 levels due to the acquisition of the Arnhem plant. The business made an earnings contribution.
- The latex business has demonstrated an ability to survive profitably in an inhospitable economic environment. It is well positioned to take full advantage of any recovery in the marketplace.
- In North America, continuing improvements in plant efficiencies and reduced fixed costs produced improved margins. Major progress was made on lowering energy costs and reducing off-specification product losses. Penetration in the specialized paper applications market was increased.
- In The Netherlands, significant progress was made in improving plant performance and reducing operating costs.
- Progress was made in the organization of the division. The business acquisitions of the past two years have now been fully integrated.
- Polysar purchased the PVC latex business of British Petroleum in England. PVC latex is a high margin specialty product and will be supplied from Polysar's Dutch operation.

Styrenics

- Business performance was adversely affected by lower demand in most sectors and a surplus of oil and petrochemicals globally. Margins continued at the low levels experienced throughout 1981.
- The styrenics business reduced working capital and produced a positive operating cash flow.
- In styrene monomer, significant cost reduction activities included the shutting down of one plant, increased efficiencies, distribution cost savings and new European tolling arrangements.
- In polystyrene resin, Polysar significantly strengthened its market position in Canada as a result of the acquisition of a manufacturing facility in Montreal in late 1981.
- A new range of foam grade crystal products was successfully introduced in Canada and the U.S.A.
- At Leominster, Massachusetts, a new operating unit was put in operation five months ahead of schedule at a capital cost of some 10 per cent below budgetary authorization.

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Custom Compounding

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- Sales of custom compounds declined throughout the year as market demand weakened. The business responded by downsizing operations with a reduction in employee levels of 40 per cent from the 1979-80 peak. The organization was restructured to improve productivity and effectiveness.
- Overall cost reductions resulted in an earnings improvement relative to 1981 despite the reduced sales level. Positive operating cash flow was achieved by controls on working capital and good margin management.
- New product programs based on Polysar produced rubber were initiated to expand markets.

Formed Products

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- Despite increasing success in the export market during the last few years, the formed products business is still heavily dependent on the domestic German market. The recession in Germany continued to deepen throughout 1982, severely affecting all market segments. Especially hard hit were industrial catering and food packaging markets where increasing unemployment, short-time work and lower disposable income reduced demand.
- Considerable effort was expended to enter new market segments such as horticulture, industrial sheets and panels, and export in general. Positive results of these efforts were seen in the last half of 1982 as sales results in new markets continued to improve. These positive trends, however, could not offset the negative effects in the more traditional sectors.
- A number of key actions were taken to reposition the business for 1983. There was a general reduction of warehousing costs, improved material flow, reduced maintenance costs, production rationalization, and reduction of raw material costs. Productivity continued to improve in all factories. Margins were well managed and showed an improvement over 1981.

Toxicology

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- Through 1982, capital investment continued on improvements to waste management facilities at many sites. The most noteworthy is the biological treatment plant for waste water generated at Sarnia. Improvements have been added to the Monaca, Pennsylvania latex plant for storm water and spill control. A similar project is underway at the Copley, Ohio polystyrene plant.
- At Sarnia, a computerized system is being developed for employee health records and for documenting measurements of exposure to various process chemicals. This project will provide a versatile system for all operating sites. Occupational exposure data for the Sarnia and Orange sites will be handled by this system. Health data will be integrated into the system in 1983.

Innovation

Productivity improvement in every activity is a strategic issue at Polysar, fundamental to our competitive position in the international marketplace.

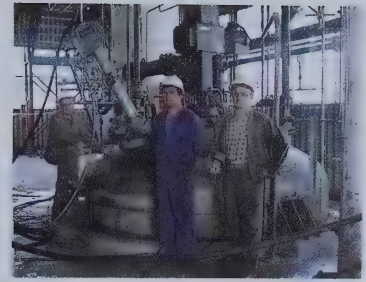
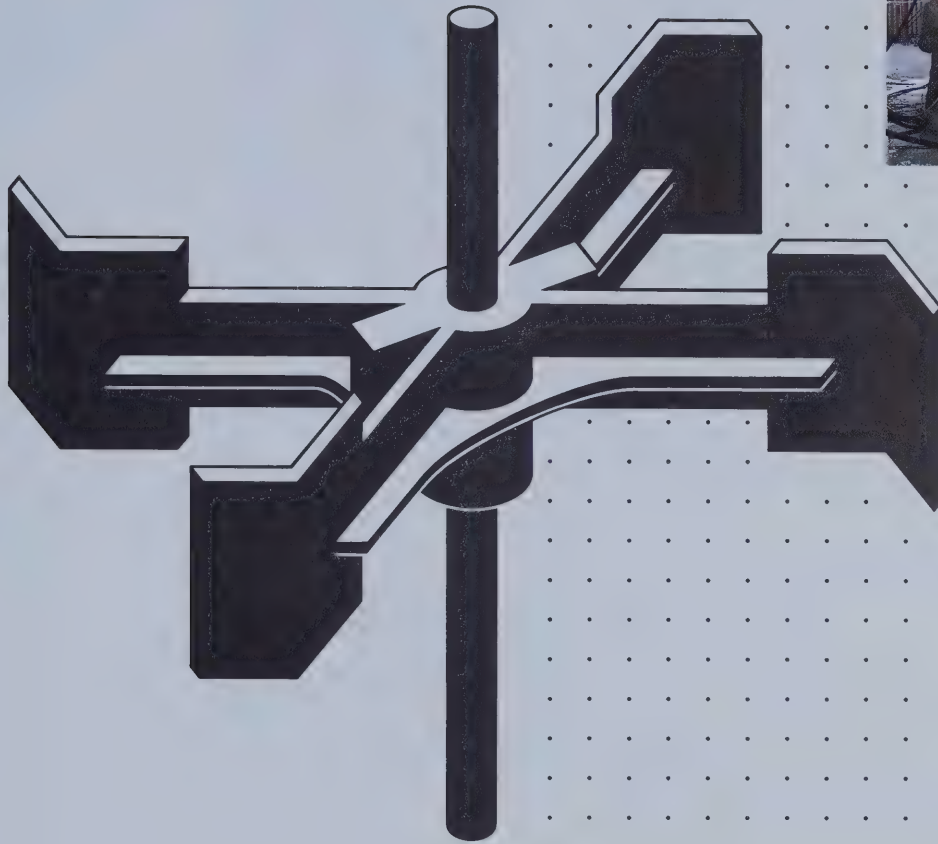
We believe the creativity of our employees, reinforced by a managed program to recognize and reward innovation, brings continuing productivity improvements throughout the organization.

Despite the poor business climate in 1982, Polysar employees produced dozens of significant productivity gains.

Productivity

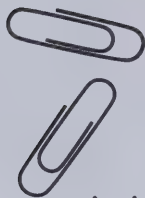
People



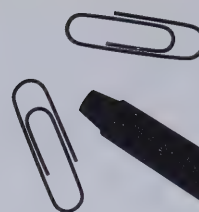


Risk-taking is difficult behaviour for modern corporate managers. At Polysar, we believe the willingness to take risks is essential to a supportive climate for innovation. A technical team in Sarnia, headed by Subhash Aggarwal, took a chance on a new catalyst, the first commercial use of the material in the world. A catalyst is used to cause chemical reactions. After detailed study to establish anticipated performance, the new catalyst was adopted for use in one of the units in early 1982. The result has been savings approaching \$1 million dollars. Subhash and his team have also eliminated the need for toxic chemicals in the water-cooling system; have found a method to recover oil from waste material; and, have been able to neutralize a toxic chemical used in the production of petrochemicals—procedures that have reduced treatment costs and improved pollution control.

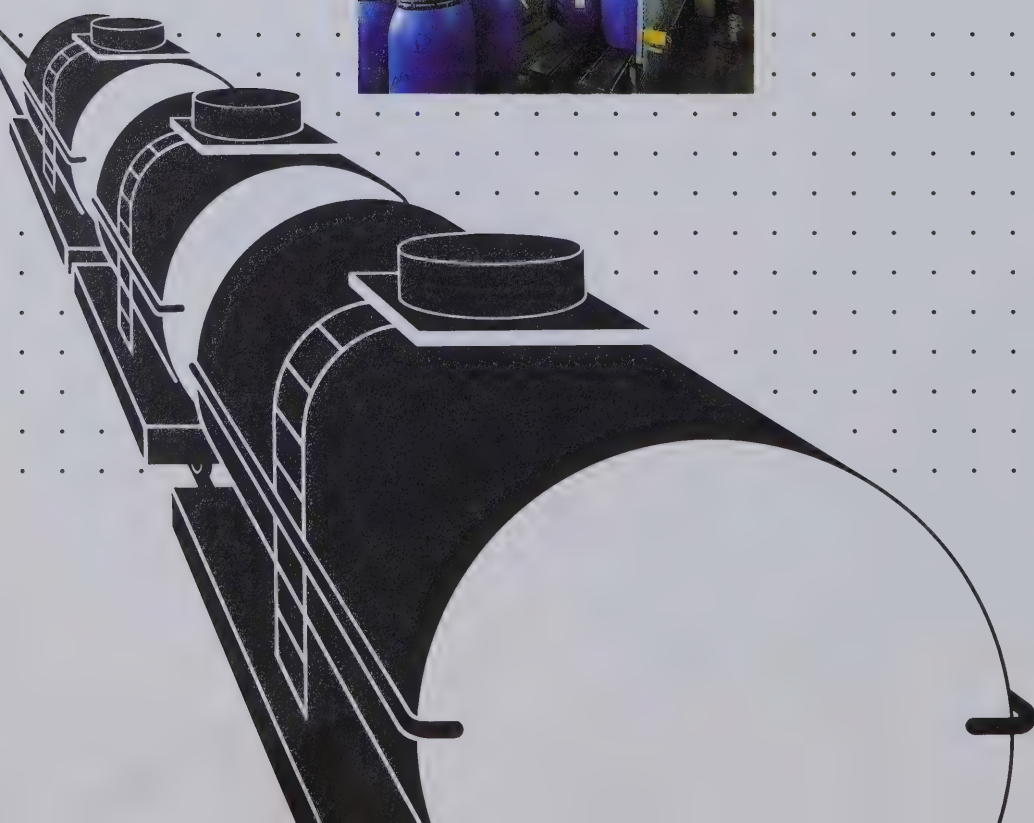
Sometimes two ideas are better than one. A case in point occurred at Polysar's plant near Strasbourg. To eliminate the unpleasant and potentially dangerous job of cleaning out the large vessels used in the production of latex, a remote-controlled, seven-metre-long robot arm was developed. This robot reduced human exposure significantly and cut maintenance time from three weeks to one week. But one week is still too long for a reactor to be out of service, and people still had to enter the vessel to remove the turbine prior to cleaning. So Maurice Krautwurst, Michel Cepparo, Michel Adam and Raymond Mayer set to work to solve the problem. After a lot of trial and error, they came up with a design change which allows the robot to do the complete cleaning job with the turbine in place, and in less than two days.



The white collar sector of industrial economies provides a major area for productivity improvement. Historically, it has been the most resistant to change. At Polysar's Sarnia operations, six secretaries headed by Linda McDonald have formed a team to overcome that resistance. They established a goal of significantly improving the productivity, quality and image of secretaries at the Sarnia site. To date, their accomplishments include: a new training and orientation program; a temporary absence coverage program; several campaigns to reduce unnecessary paper; voluntary work sharing; temporary job transfers; and career planning for secretaries. The result of this initiative has been a real gain in morale and significant savings through the elimination of the need to hire temporary staff when people are absent or workloads reach a peak.



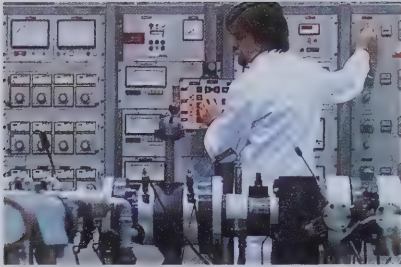
Reducing work hazards, protecting the environment and producing high quality products are integral to Polysar's way of doing business. At our recently acquired latex manufacturing facility in Arnhem, three innovations that were accomplished last year led to reduced risk, lower cost and improved output and quality. Gerard Ederveen found an improved method for removing residual latex from polymerization vessels, reducing the risk of latex splashing over an operator, avoiding air pollution and lowering nitrogen consumption. Anton van de Berg devised an improved hose connection system for transferring monomers from rail tank cars to storage tanks, decreasing losses, fire hazards and air pollution. Gerrit Scholten modified a filtering procedure which not only speeds up the process, but improves the quality of the latex and produces less waste.





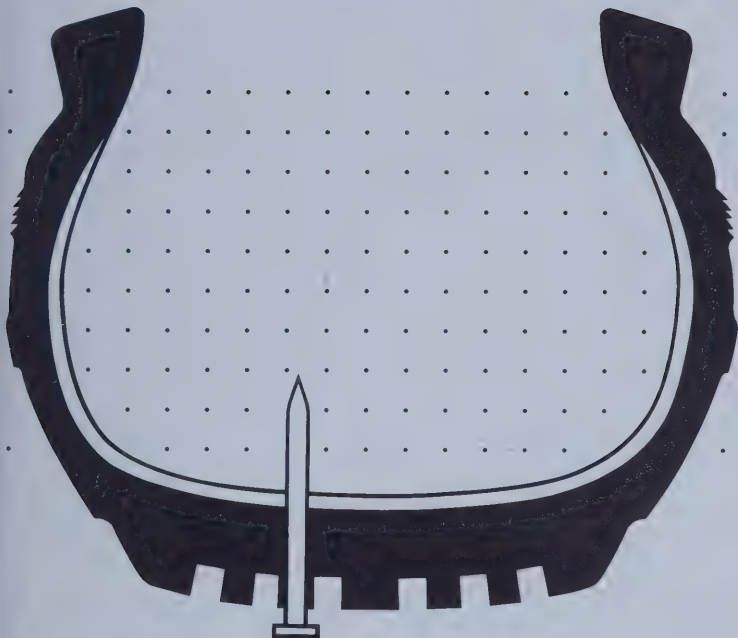
At Polysar, we are constantly looking for ways to improve our processes, increase throughput, reduce maintenance costs and produce uniformly consistent high quality products. In Antwerp, two such innovations have had a dramatic effect on our butyl and halobutyl rubber operations. Ken Shepherd led a team that developed a modification of the de-watering extruders in the finishing line. The result was a 20% gain in the finishing of bromobutyl, a high technology rubber first developed by Polysar in the mid-1970s, and even greater gains in the finishing of regular butyl. In another part of the same process, Albert Verbiest developed a new design for a cyclone separator that saves energy, eliminates plugging in the system and reduces wastes. Both modifications have been thoroughly documented for application in other Polysar operations.

John Walker had the original idea. Sheikh Mohammed took it into the lab and, with the help of John Timar and William Van Reenan, made it work. John Shackleton built the first test model. The concept is now out of the research lab and is being tested by a manufacturer. That summarizes two years of effort and innovation resulting in a self-sealing tire that is easier to make, less expensive and lighter in weight than existing self-sealing tires. The new concept, developed at Polysar's research labs in Sarnia, uses a composite self-sealing inner liner based on our bromobutyl and butyl rubbers. Prototype tires made with the Polysar process have already passed the U.S. Department of Transport's safety and high speed tests, as well as General Motors' puncture sealing test. If final manufacturers' testing is successful, the new tires could be on the market within two years.

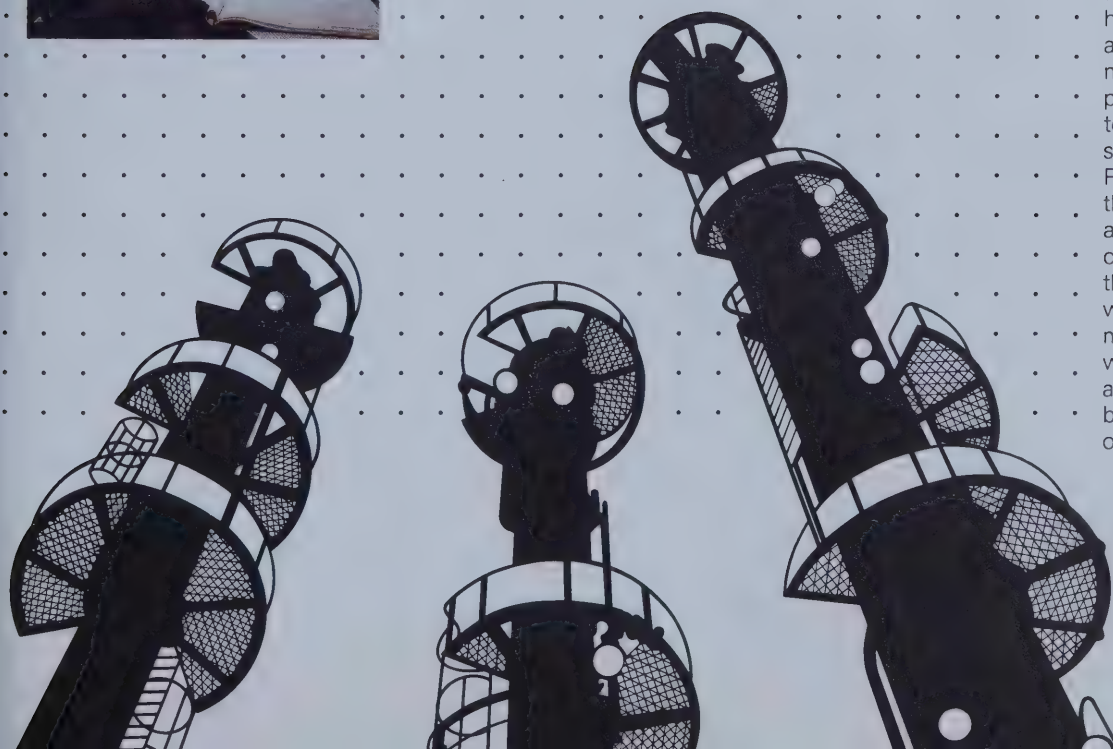


At Polysar's plastics forming business in the Federal Republic of Germany, several departments combined to develop new products for the horticultural market. The first new item to come out of this program, a 3,000 c.c. plant pot, has received West Germany's highly-valued environmental protection award known as the Blue Angel. The award-winning product exploits a new technology for extruding and injection moulding a mixture of scrap paper and plastics. Several other horticultural products are under development using the same technology, all of which will provide the consumer with attractive, quality items at competitive prices. Other applications, outside the horticultural field, are also under investigation.





How do you save \$3 million in capital expenditure, increase a plant's capacity, reduce maintenance and produce a higher quality product? Ask Jim Skeeter, general foreman of Polysar's newly acquired ethylene-propylene rubber facility in Orange, Texas. Jim had an idea to improve the agitation system used in the manufacture of ethylene-propylene rubber, a high technology product that is strategically important to Polysar. The concept cost less than \$500 to implement and has increased the unit's capacity by 10%, eliminated the need for an additional unit which would have cost \$3 million, minimized rubber buildups which foul internal mechanisms, and improved product quality by facilitating the production of a more uniform product.



Operating Companies of the Polysar Group*

Polysar Limited

Canada

Polysar Limited
(Corporate offices, plant)
Sarnia, Ontario

Resins Division
Cambridge, Ontario
Montreal, Quebec

United States

Polysar Incorporated
Akron, Ohio

Rubber Sales Office
Akron, Ohio

Rubber Services Division
Akron and Barberton, Ohio
Bound Brook and
East Brunswick, New Jersey

Latex Division
Chattanooga, Tennessee
Monaca, Pennsylvania

Resins Division
Leominster, Massachusetts
Forest City, North Carolina
Akron, Ohio

Polysar Gulf Coast Inc.
Orange, Texas

Europe

Bellaplast GmbH
Wiesbaden, Alf and Deizisau,
Federal Republic of Germany

Bellaplast Nederland B.V.
Boesingheliede, Netherlands

Bellaplast (U.K.) Ltd.
Farnham, England

Polysar Belgium N.V.
Antwerp, Belgium

Polysar (Deutschland) GmbH
Neu-Isenburg, Federal
Republic of Germany

Polysar Europa S.A.
Brussels, Belgium

Polysar France
Strasbourg, France (97%)

Polysar GmbH
Wiesbaden, Federal
Republic of Germany

Polysar Handelmaatschappij B.V.
Amsterdam, Netherlands

Polysar International S.A.
Fribourg, Switzerland
and in Sao Paulo, Brazil
Tokyo, Japan
Barcelona, Spain

Polysar Italiana S.p.A.
Milan, Italy

Polysar Nederland B.V.
Arnhem, Netherlands

Polysar Skandinaviska A.B.
Göteborg, Sweden

Polysar Technical Service
Centre N.V.
Antwerp, Belgium

Polysar (U.K.) Ltd.
Guildford and Wilmslow,
England

Société Française Polysar
Paris, France

Wolf GmbH
Kleve, Federal Republic
of Germany

South America

Polysar do Brasil Produtos
Quimicos Ltda.
Sao Paulo, Brazil

Australia

Polysar Australia Pty. Ltd.
Melbourne, Australia

Other Interests

Bellaplast A.G.
Altstätten,
Switzerland (49%)

Bellaplast
Kunststoffverpackungen
Gesellschaft mbH
Vienna, Austria (49%)

Comshare Limited
Toronto, Ontario (63%)

Comshare Inc.
Ann Arbor, Michigan (14%)

Hules Mexicanos S.A.
Mexico City, Mexico (40%)

Monoplast S.A.
Soustons, France (21%)

Petrosar Ltd.
Sarnia, Ontario (40%)

*Wholly owned except where % indicated

Financial Report 1982

Polysar Limited
Year ended
December 31, 1982

Board of Directors

W.A. Dimma¹
Toronto, Ontario
Chairman of the Board,
Polysar Limited

President,
A.E. LePage Limited

R.S. Dudley¹
Sarnia, Ontario
President and
Chief Executive Officer,
Polysar Limited

A.J. Ellis
Vancouver, British Columbia
Honorary Chairman,
Canada Development
Corporation

P.R. Gendron¹
Hudson, Quebec
Corporate Director

J.B. Hague²
Toronto, Ontario
Executive Vice-President,
Canada Development
Corporation

H.A. Hampson¹
Toronto, Ontario
President and
Chief Executive Officer,
Canada Development
Corporation

D.C. Jones²
Calgary, Alberta
President,
Carlton Resource
Management Limited

G. Kraijenhoff
Arnhem, Netherlands
President,
Supervisory Council
AKZO N.V.

H.S. Ladd¹
Montreal, Quebec
Vice-President
Organization and Management,
Alcan Aluminium Limited

I.C. Rush
Sarnia, Ontario
Former Chairman and
Chief Executive Officer,
Polysar Limited
(retired March 1, 1983)

FW. Sellers²
Winnipeg, Manitoba
President,
Dionian Industries Limited

D.C.H. Stanley¹
Toronto, Ontario
Corporate Director

F.C. Wilkinson
Vancouver, British Columbia
Chairman of the Board and
Chief Executive Officer,
Wilkinson Company Limited

Senior Corporate Management

R.S. Dudley
President and
Chief Executive Officer

W.A. Critchley
Group Vice-President,
Finance and Administration

M. Abbott
Vice-President,
Technology

C. Ambridge
Vice-President

A.T. Cousins
Treasurer

W.J. Dyke, Q.C.
Vice-President and
Secretary

H.A. Graham
Vice-President,
Personnel

R.B. Grogan
Controller

D.E. Wood
General Manager,
Corporate Development

Senior Operations Management

G.F. Bentley
Group Vice-President,
Rubber and Plastics

J. Beaton
Vice-President,
Latex and Styrenics

P. Choquette
Vice-President,
North and South America
Rubber

D.A. Henderson
Vice-President,
Europe and Rest of World

R.G. Collins
General Manager,
Formed Products, Europe

T.C. Green
General Manager,
Custom Compounding

W.D. Rion
General Manager,
Styrenics

¹ Member of the Executive Committee
² Member of the Audit Committee

Analysis of Results

Consolidated sales revenue of \$1,320 million was 1 per cent below the 1981 level of \$1,336 million. Physical volumes of products sold were down slightly from the previous year despite the addition of business acquisitions made in 1981. Excluding the effect of added businesses, volumes were down by 14 per cent.

Operations for the year produced a net loss of \$30.5 million, equal to a loss of \$1.45 per common share. In 1981, consolidated net income was \$22.0 million, or 74 cents per common share. Preferred dividends in 1982 were \$6.2 million as compared with \$5.1 million in 1981.

Cost of sales at 90.7 per cent of sales revenue was substantially higher than the 85.5 per cent rate in 1981. The resultant negative difference of 5.2 per cent reduced pretax earnings by \$69 million. Margins over variable cost were held on average at 1981 rates, but fixed costs absorbed against earnings were substantially higher. Lower capacity utilization rates in most of the Company's plants in response to recessionary demand conditions and consequent inventory reductions accounted for one-half of the gross profit decline. The remainder was largely attributable to higher costs associated with Petrosar-sourced feedstocks.

The earnings drop in 1982 was most marked in Canada. As shown in the geographic segmentation section of the Notes to the Financial Statements, there was a loss of \$18.5 million in Canada at the operating income level, as com-

pared with a positive contribution of \$40.4 million in the previous year. While the segmented operating results do not represent absolute profitability levels, they are nevertheless indicative of year-over-year change. By contrast, operating income in Europe approached earnings of the previous year. In the U.S.A., the earnings contribution was one-half of the 1981 level.

Of consolidated long-term debt of \$579 million at the end of 1982, approximately 80 per cent is at floating rates tied largely to Canadian prime, U.S. prime and LIBOR. As a consequence, the very high rates of interest experienced in 1982 confronted the Company with high costs of financing. Total financing costs in 1982 were \$110.4 million, consisting of short and long-term interest of \$102.5 million and dividends of \$7.9 million on a subsidiary's term preferred shares. Of the total interest of \$102.5 million, \$42.5 million was capitalized as part of the cost of the capital expansion project in Sarnia.

Income of \$816 thousand from equity investments was down sharply from equity earnings of \$3.8 million in 1981. Income from equity investments consists of interests in Petrosar, Comshare, Hules Mexicanos and relatively minor operations of the Bellaplast associated interests in Switzerland and Austria. Petrosar's operations resulted in a loss attributable to the common shares in both years, with the company suffering from lower volumes and petrochemical prices, higher feedstock costs and higher financing costs in 1982. Comshare had a good year. Hules Mexicanos increased its earnings in pesos, but devaluation resulted in a 10 percent decline as expressed in Canadian dollars.

Cash Management

In the year of reduced earnings and very modest internal cash generation, the focus became cash management. As shown in the following analysis, 1982 total cash requirements amounted to \$256 million. Cash from operations at just under \$2 million provided less than 1 per cent of the total needs and reductions in net short-term assets generated \$110 million for a total of \$112 million from internal sources. The remaining requirement of \$144 million was funded by a \$50 million increase in common equity and \$94 million of net additional debt drawn from previously established short and long-term credit lines. Thus, the common shareholder and internally sourced cash financed 63 per cent of the total, with lenders financing 37 per cent.

Analysis of Cash Changes

(\$ millions)

Cash Requirements

Capital expenditure (net of realizations)	229.3
Dividends (preferred and common, and floating rate term preferred share dividends of a subsidiary)	20.7
Redemption of First Preferred Shares	5.8
	255.8

Sources of Cash

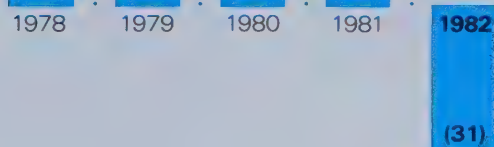
Operations	1.7
Reduction in net short-term assets	110.1
Common equity	50.0
Borrowings (short and long-term)	94.0
	255.8

Capital spending in 1982 was largely associated with the Sarnia expansion and waste treatment projects, the total investment in which will approximate \$450 million upon completion in 1983. In the environment of constraints on spending, capital investment was limited to the Sarnia projects plus modest sustaining capital expenditure at all plants, completion of the Leominster, Massachusetts polystyrene plant and the acquisition of the butyl rubber business from Columbian Chemicals.

The Company was obliged to invite tenders and to purchase all the 8.4 per cent First Preferred Shares so tendered on April 1, 1982. Effective on that date the rate of dividend was increased to 15.5 per cent per annum and a new retraction date of July 1, 1987 and an earliest redemption date of July 1, 1985 were established. The holders of 88 per cent of the outstanding \$50 million issue of First Preferred Shares elected not to tender. The \$5.8 million figure shown above reflects the 12 per cent retraction.

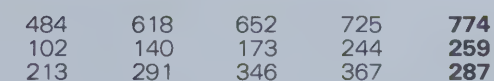
Short-term and long-term debt facilities were managed throughout the year to maintain an acceptable level of liquidity. As a result, the working capital ratio at December 31, 1982 was 1.56, substantially unchanged from the 1.53 level of one year ago.

Net Income (Loss)
(\$ Millions)



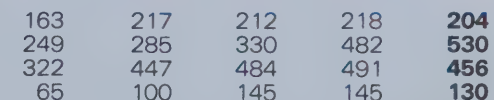
Sales Revenue by Product
(\$ Millions)

■ Rubber
■ Latex
■ Plastics & Chemicals

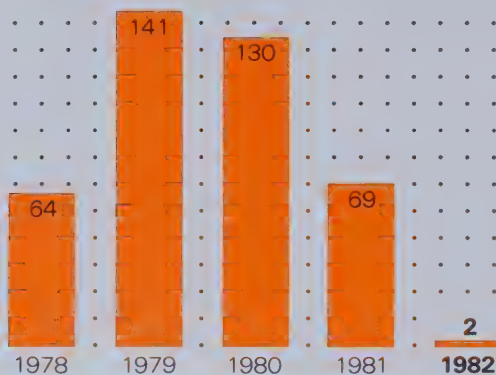


Sales Revenue by Market Area
(\$ Millions)

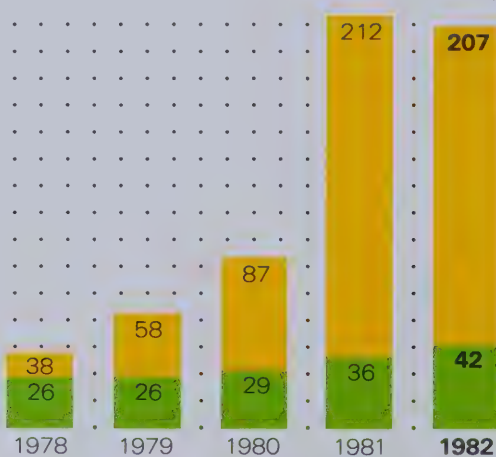
■ Canada
■ United States
■ Europe
■ Other



**Cash Flow
from Operations**
(\$ Millions)

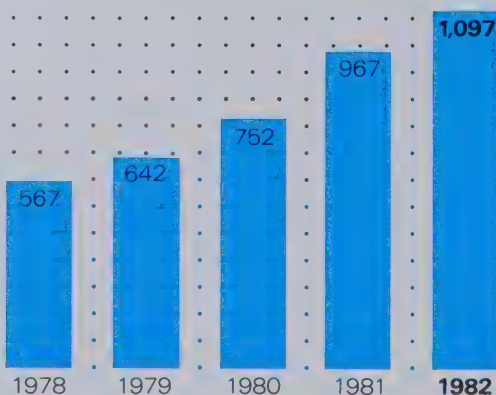


**Capital Expenditures
and Depreciation**
(\$ Millions)



■ Capital Expenditures
■ Depreciation

Capital Employed
(\$ Millions)



Financing

The Company has no immediate intention of accessing capital markets. The major projects in Sarnia consisting of the butyl plant expansion and isobutylene extraction plant, the biological oxidation plant and power and steam facilities will be completed in 1983 and financing facilities are in place. Repayments of long-term debt are relatively modest through 1985. Financial planning, therefore, is directed toward a somewhat longer term horizon with emphasis on the management of the debt maturity profile and, as opportunities permit, the conversion to a higher proportion of fixed rate obligations.

The Company is highly leveraged. Of total capital employed (total assets less current liabilities) of \$1,097 million at December 31, 1982, interest-bearing debt and debt equivalents amounted to 61 per cent. At the end of 1981, total capital employed was \$967 million with debt, as defined, comprising 53 per cent. The following analysis compares the 1982 and 1981 positions.

Analysis of Capital Employed

(\$ millions)	1982	1981
Long term debt	579.4	427.0
Deferred income taxes	39.9	63.6
Term preferred shares in subsidiary	85.0	85.0
Other minority interests	0.4	0.4
Preferred equity	44.2	50.0
Common equity	170.1	120.1
Retained earnings	177.9	221.2
	1096.9	967.3

Long-term debt plus term preferred shares was 1.69 times shareholders' equity at December 31, 1982, a significant deterioration from the 1981 year-end level of 1.31. Preferred equity, which has an earliest redemption date of July 1, 1985, is appropriately classifiable as permanent capital.

The aggregate investment in the Sarnia projects in progress as of December 31, 1982 was approximately \$360 million, inclusive of capitalized interest and preproduction expenses, equal to fully one-third of capital employed. With internal cash generation planned to be the principal source of future improvements in the fundamental financial condition of the Company, these investments are of critical strategic importance. They will begin to produce a contribution in 1984.

Petrosar

During the year, new agreements among the Petrosar shareholders and with Petrosar were finalized. Petrochemical products previously supplied to its shareholder customers by Petrosar at cost-based formula prices were moved progressively over the year to more closely reflect market prices. Also during the year, the shareholders subscribed to \$100 million of subordinated preferred shares and, shortly after the year-end, bank financing was finalized to provide Petrosar with additional operating loan facilities and to extend the maturity of a term loan from 1983 to the period 1985-1989.

With effect from January 1, 1983, the Company and Canada Development Corporation intend to combine their separate interests of 40 per cent and 20 per cent, respectively, in one holding vehicle, Polysar Petrochemicals Inc. That new company, a wholly-owned subsidiary of CDC, will have a management organization in common with that of Polysar Limited.

Beyond 1982

As the Company entered the 1983 year, market conditions continued to be depressed, although some early signals of improvement were being evidenced. The Company will continue to suffer consolidated net losses through the early part of the year. Management actions on cost reduction and productivity improvement which commenced in 1982 will provide a significant underpinning to future earnings and cash flow.

Given some improvement in demand, largely evidenced in automobile sales and housing starts with consequent demand for Polysar's products, and a decrease in real rates of interest, the Company is well positioned to emerge from this difficult period as a considerably strengthened enterprise.



W.A. Critchley
Group Vice-President
Finance and Administration
Sarnia, Canada
March, 1983

Consolidated Balance Sheet

Polysar Limited
December 31, 1982

Assets	1982	1981
	(\$ thousands)	(\$ thousands)
Current		
Cash and short-term investments	10,331	36,818
Accounts receivable	212,678	265,513
Inventories (Note 2)	304,153	361,293
Prepaid expenses	4,624	3,947
	531,786	667,571
Investments		
Petrosar Limited (Note 3)	128,128	96,834
Other	39,064	28,620
Property, Plant and Equipment (Note 4)	708,445	563,955
Deferred Charges and Other Assets	30,925	45,508
	1,438,348	1,402,488

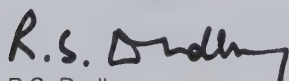
On behalf of the Board
I.C. Rush
Director

J.B. Hague
Director

Management's Report to the Shareholders

The management of Polysar Limited is responsible for the integrity of all information and representations included in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian and historical cost international generally accepted accounting principles consistently applied, and reflect estimates by management where necessary. The Company's significant accounting policies are summarized in the notes to the consolidated financial statements. Financial information contained in this Annual Report is consistent with the financial statements. The Board of Directors, through the Audit Committee, which is composed solely of outside directors, oversees management's discharge of its financial reporting responsibilities.

Independent auditors, Peat, Marwick, Mitchell & Co., provide an objective, independent review of the Company's reported operating results and financial position. The independent auditors have full access to the Audit Committee.


R.S. Dudley
President and
Chief Executive Officer


W.A. Critchley
Group Vice-President
Finance and Administration

Liabilities	1982	1981
	(\$ thousands)	(\$ thousands)
Current		
Short-term loans	182,243	215,486
Accounts payable	142,213	167,271
Income and other taxes payable	7,658	9,013
Dividends payable	1,727	1,053
Long-term debt due within one year	7,602	42,343
	341,443	435,166
Long-term Debt (Note 5)	579,427	427,025
Deferred Income Taxes	39,854	63,563
Minority Interest (Note 6)	85,363	85,418
Shareholders' Equity		
Capital Stock (Note 7)	214,341	170,100
Retained Earnings	177,920	221,216
	392,261	391,316
	1,438,348	1,402,488

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Polysar Limited as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants
Toronto, Canada
February 9, 1983

Consolidated Statement of Income

Polysar Limited

Year ended December 31, 1982

	1982 (\$ thousands)	1981 (\$ thousands)
Revenues		
Sales	1,320,104	1,336,417
Other income	8,606	10,977
	1,328,710	1,347,394
Costs and Expenses		
Cost of sales	1,197,987	1,142,877
Selling, administrative and research	113,234	99,841
Interest on long-term debt	71,041	38,320
Other interest	31,501	24,397
Interest capitalized	(42,534)	(12,517)
Foreign currency translation losses	3,552	17,061
	1,374,781	1,309,979
(Loss) Income Before Taxes	(46,071)	37,415
Income taxes (reduction)	(22,600)	10,485
	(23,471)	26,930
Income from equity investments	816	3,848
Minority interest	(7,880)	(8,739)
Net (Loss) Income	(30,535)	22,039
Net (Loss) Income per Common Share	\$ (1.45)	\$.74

Consolidated Statement of Retained Earnings

Polysar Limited

Year ended December 31, 1982

	1982 (\$ thousands)	1981 (\$ thousands)
Retained Earnings, Beginning of Year	221,216	210,605
Net (loss) income	(30,535)	22,039
	190,681	232,644
Dividends		
-Preferred shares	6,196	5,077
-Common shares	6,520	6,111
	12,716	11,188
Amortization of share issue expenses	45	240
Retained Earnings, End of Year	177,920	221,216

**Consolidated Statement of
Changes in Financial Position**

Polysar Limited

Year ended December 31, 1982

	1982 (\$ thousands)	1981 (\$ thousands)
Sources of Working Capital		
Cash flow from operations	1,746	69,180
Issue of common shares	50,000	55,100
Increase in long-term debt	185,097	247,515
Other	11,783	3,184
	248,626	374,979
Applications of Working Capital		
Purchase of property, plant and equipment	207,020	211,812
Investments	34,105	—
Reduction in long-term debt	23,153	42,518
Dividends	12,716	11,188
Dividends paid to minority interest	7,935	9,332
Redemption of preferred shares	5,759	55,100
Acquisitions of businesses (net of working capital of \$27,915,000)	—	82,641
	290,688	412,591
Decrease in Working Capital	(42,062)	(37,612)
Changes in Components of Working Capital		
Increase (decrease) in current assets:		
Cash and short-term investments	(26,487)	(21,291)
Accounts receivable	(52,835)	19,298
Inventories	(57,140)	105,790
Prepaid expenses	677	1,404
	(135,785)	105,201
Increase (decrease) in current liabilities:		
Short-term loans	(33,243)	89,520
Accounts payable and other	(25,739)	17,840
Long-term debt due within one year	(34,741)	35,453
	(93,723)	142,813
Decrease in Working Capital	(42,062)	(37,612)
Working Capital, Beginning of Year	232,405	270,017
Working Capital, End of Year	190,343	232,405

1. Summary of Significant Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in Canada. The principles followed are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee.

Principles of Consolidation

The accounts of subsidiaries are included on the purchase accounting basis. Companies which are not subsidiaries and over which the Company has significant influence, are accounted for by the equity method. Other investments are carried at cost or written-down value.

Foreign Currency Translation

Foreign currency balances and transactions are translated into Canadian dollars at the rates of exchange on the balance sheet date for current assets and current liabilities, on the date of transaction for other balance sheet accounts and at rates of exchange in effect during the year for revenues and expenses. The resulting gains or losses are included in income.

Inventories

Inventories are valued at the lower of FIFO (first-in, first-out)

cost and net realizable value except for raw materials and supplies which are valued at the lower of FIFO cost and replacement cost.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided from the date assets are capable of commercial production, calculated on the straight-line method based on their estimated useful lives. Fixed asset additions, including related interest costs incurred during major plant construction, and renewals and betterments which extend the economic life of plant and equipment are capitalized. Maintenance and repairs are charged to income as incurred.

On disposal of fixed assets, the related costs and accumulated depreciation are removed from the accounts and any resultant gain or loss is included in income.

Pre-production expenses of major new projects are deferred and charged to income on the straight-line method over varying periods not exceeding ten years from commencement of commercial production.

Income Taxes

Income taxes are provided on the tax allocation basis. No provision has been made for income tax relief in respect of expenses

recorded in the accounts where it is uncertain when, if ever, the relevant company would have sufficient taxable income to absorb such items for tax purposes.

On a continuing basis, some Polysar companies are incurring losses while others are realizing the tax benefits of previous losses. On a consolidated basis, these recurring tax benefits are not considered to be extraordinary in nature and accordingly, are reflected as reductions of current income taxes when realized.

Pensions

Pension costs are computed on the basis of accepted actuarial methods and include current service costs, valuation adjustments and the amortization of past service costs over periods of 15 and 30 years.

Net (Loss) Income Per Common Share

Net (loss) income per common share is calculated using the weighted average number of shares outstanding during the year after providing for all dividends on preferred shares.

Comparative Figures

Comparative prior year figures have been reclassified to conform with classifications adopted in 1982.

2. Inventories

	1982 (\$ thousands)	1981 (\$ thousands)
Raw materials	90,216	93,760
Finished products	193,329	246,250
Supplies	20,608	21,283
	304,153	361,293

3. Investment in Petrosar Limited

The Company owns 40.2% of the outstanding common shares of Petrosar Limited, a world-scale petrochemical refinery. The remaining equity is held by Du Pont Canada Inc. (20%), Union Carbide Canada Limited (20%) and the Company's parent, Canada Development Corporation (19.8%).

Under various agreements, the Company, Du Pont and Union Carbide (the Participants) are obligated to ensure the availability of any additional funds which may be required to meet the amounts due in respect of the dividend and redemption requirements attaching to the Class A Preference Shares of \$300 million (\$350 million in 1981) held by Canadian chartered banks. The Company's commitment is to provide 48% of these additional funds and guarantees. Petrosar is currently negotiating with its lenders to

extend the repayment terms of its \$100 million loan, due June 1983, beyond 1983. Should these contemplated arrangements not be completed, in order to comply with the financial covenants attaching to the Class A Preference Shares, the Participants would be required prior to June 30, 1983, to provide Petrosar with additional funds aggregating approximately \$75 million of which the Company's share would be \$36 million.

During the year Petrosar issued to the Participants \$75 million in subordinated preference shares for cash. The Company's share was \$36 million. The Company also has subscribed for subordinated preference shares in the amount of \$12 million payable in cash prior to June 30, 1983.

At December 31, 1983 Petrosar's total assets amounted to \$998.7 million of which \$635.1

million was the carrying value of production facilities; equity of the Participants and Canada Development Corporation was \$264.6 million at that date. Petrosar's 1982 revenues were \$1,126.4 million. The Company's equity share of Petrosar's results reduced its income from other equity investments.

The Participants have entered into long-term take or pay contracts with Petrosar to purchase all of the ethylene, a major portion of the primary petrochemicals and some of the fuel products produced by Petrosar. During 1982, the Company's purchases from Petrosar amounted to \$193.9 million (\$210.3 million in 1981). At December 31, 1982, the balance of the Company's monthly trade account owing to Petrosar was \$21.6 million (\$15.2 million in 1981).

4. Property, Plant and Equipment

	1982 (\$ thousands)	1981 (\$ thousands)
Land	19,725	19,490
Plant and equipment	1,053,858	898,579
Accumulated depreciation	(365,138)	(354,114)
	708,445	563,955

5. Long-term debt

	1982 (\$ thousands)	1981 (\$ thousands)
Canadian Dollars		
7.5% sinking fund debentures, Series A, due 1987	6,479	6,479
9% sinking fund debentures, Series B, due 1993	28,299	28,304
Floating rate multi-currency revolving credit and term loan facility, currently bearing interest at 11.61%, repayable 1986 through 1992	216,144	124,350
Floating rate term loan, currently bearing interest at 11.96%, repayable 1986 through 1995	20,000	20,000
Floating rate term loan, currently bearing interest at 12%, due 1992	50,000	—
United States Dollars		
10% debentures, Series C, due 1982	—	34,257
9.5% debentures, Series D, due 1986	50,613	50,613
Floating rate multi-currency term loan, currently bearing interest at 16%, due 1988	23,832	23,832
Floating rate term loans, currently bearing interest at an average rate of 12.46%, repayable 1983 through 1988	99,975	108,950
Notes and mortgages, currently bearing interest at an average rate of 6.81%, repayable 1983 through 2003	10,882	11,545
Capitalized lease obligation, expiring 1983 through 1985	4,109	5,112
Floating rate multi-currency revolving credit and term loan facility, currently bearing interest at 16.19%, repayable 1986 through 1992	36,551	—
Other Currencies		
French francs, floating rate term loans, currently bearing interest at an average rate of 15.33%, repayable 1983 through 1993	20,878	18,500
Dutch guilders, 13.5%, repayable 1987 through 1991	14,190	14,190
Other non-current liabilities	5,077	23,236
	587,029	469,368
Long-term debt due within one year	7,602	42,343
	579,427	427,025

Sinking fund requirements and the long-term debt due in each of the next five fiscal years, expressed in millions, are as follows: 1983-\$7.6; 1984-\$22.3; 1985-\$27.3; 1986-\$113.7; 1987-\$67.7.

If exchange rates prevailing at December 31, 1982 were to continue until repayment, the amount of long-term debt then repayable would increase by approximately \$18 million. This change is not necessarily indica-

tive of the amount which would be repaid when the obligations are retired.

6. Minority Interest

	1982 (\$ thousands)	1981 (\$ thousands)
Minority interest in subsidiaries:		
Preferred shares	85,000	85,000
Other	363	418
	85,363	85,418

The preferred shares issued by a subsidiary company are redeemable and have a cumulative floating rate dividend equal to 1.25% plus one-half of Canadian bank prime rate. Redemptions are required to be made in equal annual amounts from 1986 to 1988 inclusive. These shares are

redeemable at the option of the holders; however the holders have agreed not to require redemption except in certain specified circumstances, including the occurrence of any event which, in the reasonable opinion of the holders of at least a majority of these shares, materially adversely affects the

financial condition of certain subsidiaries or the Company. In the event of failure by the subsidiary company to redeem, the holders may require the Company to purchase all outstanding preferred shares for their aggregate stated value.

7. Capital Stock

	1982 (\$ thousands)	1981 (\$ thousands)
First Preferred Shares, no par value; issuable in series, (authorized 10,000,000 shares); 15.5% cumulative, redeemable, non-voting shares Series A (issued and fully paid 1,769,675 shares in 1982; 2,000,000 shares in 1981)	44,241	50,000
Common Shares, no par value (authorized 30,000,000 shares; issued and fully paid 25,671,100 shares in 1982; 23,448,900 in 1981)	170,100	120,100
Total Capital Stock	214,341	170,100

The Company was obligated during the 30 day period ending March 1, 1982, to invite tenders from all holders of First Preferred Shares for the purchase of their shares at \$25 per share plus accrued and unpaid dividends and to purchase shares so tendered on April 1, 1982 except to the extent that such purchase would contravene any applicable law. Effective April 1, 1982, the rate of dividend payable on the First Preferred Shares was increased from 8.4% to 15.5% per annum. According

to Articles of Amendment issued on April 2, 1982, these shareholders were given an additional opportunity to tender their shares for repurchase on July 1, 1987. During each month beginning April 1982, the Company is obligated to purchase for cancellation 10,000 of these shares if and to the extent that they are available for purchase at prices not exceeding \$25 per share. First Preferred Shares are not redeemable prior to July 1, 1985, but thereafter, will be redeemable at

the option of the Company at a redemption price of \$27 per share reducing thereafter to \$25 per share.

There are no voting rights attached to preferred shares unless dividends are eight quarters in arrears.

On February 24, 1982, the Company issued 2,222,200 Common Shares at \$22.50 per share to its parent, Canada Development Corporation, for \$50 million.

8. Additional Information

Pension Plans

The unfunded obligations for past service costs remaining to be charged to operations are estimated at \$15.1 million at December 31, 1982.

Other

The following were charged to operations during the year:

	1982 (\$ thousands)	1981 (\$ thousands)
Research and development	27,115	22,865
Depreciation	41,690	35,548
Amortization	7,236	6,178
Deferred income taxes (reduction)	(23,709)	7,287

Geographic Segmented Information

The Company conducts its global operations through organizations in Canada, the United States and Europe. The sales of the respective geographic area segments are those supported by segment

identifiable assets and comprise sales both within the segment and into other market areas. Transfers between geographic segments are accounted for primarily at prices based on a combination of plant costs and market selling prices. Segment operating results

should not be regarded as an absolute indication of segment comparative profitability. The Company is considered to operate in a single industry, petrochemicals, through its manufacture and sale of petrochemical products.

Geographic Segments

Year ended December 31, 1982 (\$ thousands)	Canada	U.S.A.	Europe	Eliminations	Consolidated
Sales					
-3rd Party	305,061	467,270	547,773	—	1,320,104
-intersegment	294,305	14,168	9,364	(317,837)	—
-total	599,366	481,438	557,137	(317,837)	1,320,104
Operating income	(18,512)	7,662	31,066	758	20,974
Corporate expense					(11,983)
Interest expense-net					(55,062)
Income from equity investments					816
Minority interest					(7,880)
Income tax reduction					22,600
Net loss					(30,535)
Identifiable assets	741,571	213,695	315,713	(3,196)	1,267,783
Corporate assets					3,373
Investments					167,192
Total assets					1,438,348

Geographic Segments

Year ended December 31, 1981 (\$ thousands)	Canada	U.S.A.	Europe	Eliminations	Consolidated
Sales					
-3rd Party	366,392	418,606	551,419	—	1,336,417
-intersegment	303,981	18,897	22,766	(345,644)	—
-total	670,373	437,503	574,185	(345,644)	1,336,417
Operating income	40,444	15,089	35,309	2,196	93,038
Corporate expense					(12,591)
Interest expense-net					(43,032)
Income from equity investments					3,848
Minority interest					(8,739)
Income taxes					(10,485)
Net income					22,039
Identifiable assets	626,727	218,888	431,768	(3,962)	1,273,421
Corporate assets					3,613
Investments					125,454
Total assets					1,402,488

Ten Year Review

Polysar Limited

Operations (\$ millions)	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Sales and Other Income	1,328.7	1,347.4	1,180.6	1,066.9	807.3	609.4	488.9	420.9	411.7	274.2
Depreciation	41.7	35.5	29.2	25.6	25.7	26.9	18.9	20.1	19.5	15.9
Interest	60.0	50.2	37.1	31.5	28.3	21.0	14.9	15.2	14.3	7.1
Income Taxes (Reduction)	(22.6)	10.5	26.3	32.7	11.5	7.5	4.2	3.2	6.0	4.6
Equity Income (Loss)	0.8	3.8	3.3	(5.9)	(8.2)	1.0	(0.5)	(0.3)	0.4	0.2
Minority Interest	7.9	8.7	7.0	6.7	5.2	0.7	—	—	—	—
Net Income (Loss)	(30.5)	22.0	73.4	74.0	18.5	14.4	7.5	1.6	18.1	11.1
Preferred Dividends	6.2	5.1	7.7	7.7	7.7	6.0	4.8	3.0	—	—
Cash Flow	1.7	69.2	130.0	141.0	64.1	41.6	28.0	23.2	45.6	30.5

Financial (\$ millions)										
Working Capital	190.3	232.4	270.0	250.5	200.8	99.1	77.8	91.2	84.4	77.3
-ratio	1.6:1	1.5:1	1.9:1	1.9:1	2.0:1	1.5:1	1.5:1	1.8:1	1.6:1	1.9:1
Capital Expenditures	207.0	211.8	86.7	58.3	37.9	43.1	76.0	42.6	20.4	61.0
Total Assets	1,438.3	1,402.5	1,044.1	909.9	766.1	646.4	530.5	415.5	398.0	341.5
Long-term Debt	579.4	427.0	228.8	203.1	205.1	191.8	160.6	97.1	99.1	112.7
Minority Interest	85.4	85.4	86.0	86.2	90.6	1.6	0.6	0.7	0.7	0.7
Shareholders' Equity	392.3	391.3	380.7	317.9	262.3	255.9	211.4	197.8	150.6	135.0

Per Common Share* (\$)										
Net Income (Loss)	(1.45)	0.74	3.13	3.32	0.54	0.42	0.14	(0.07)	0.90	0.56
Cash Flow	0.07	3.03	6.19	7.04	3.20	2.08	1.40	1.16	2.28	1.53
Dividends	0.26	0.27	0.13	2.27	0.21	0.19	0.20	0.06	0.13	0.06
Shareholders' Equity	13.56	14.56	13.12	10.13	7.86	7.54	7.31	7.39	7.53	6.75

Other (\$ millions)										
Salaries, Wages and Benefits	227.4	202.5	178.2	152.5	145.8	122.0	101.1	90.5	81.3	61.6
Number of Employees at year-end	6,561	7,081	6,144	5,437	6,264	6,405	6,189	5,973	6,034	6,187

*All per common share amounts have been adjusted to reflect the ten-for-one stock split in 1979

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